



NEWS TO USE

A newsletter for PERSI Employers

April 2005

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HELP PERSI SET THE EMPLOYER MEETING AGENDA

It's time to start thinking about the annual employer meetings, and your help is wanted. You have a unique opportunity to shape the meeting agenda by contacting PERSI. Member services manager Judy Aitken and financial services supervisor Debbie Buck will once again serve as the meeting facilitators. Contact Judy via e-mail at jaitken@persi.state.id.us or by phone at (208) 287-9260 to let her know the topics you would like covered this year. The agenda already includes: changes taking place at PERSI and how they may impact you, the employer service center and changes in transmittal processing, recent PERSI legislation, retirement trends, the Choice Plan, and sick leave issues affecting the school districts. By identifying additional topics of interest, you can play a key role in making this year's meetings more meaningful.

The meetings will be organized in morning and afternoon sessions — one targeting the school districts and the other designed for general employers. PERSI will send out several reminders and location details before the meetings, which are slated as follows:

April: Boise 19th Nampa 21st

May: Sandpoint 3rd Coeur d Alene 4th Lewiston 5th

June: McCall 7th Grangeville 8th Twin Falls 20th
Idaho Falls 21st Pocatello 22nd

You are encouraged to help set the agenda for the 2005 employer meetings. The sooner you contact Judy, the more likely your ideas will become part of the program. Working together is a sure way to make this year's meetings successful.

SPIKING: What is it and why is it a problem?

"Spiking" is the improper practice of giving employees additional compensation in the last 42 months of service (the usual base period for determining average monthly salary) to artificially increase their retirement benefits. This is a concern to retirement systems because it can result in manipulation of benefits, and ultimately the underfunding of the retirement system. There has been a lot of media attention recently on defined benefit retirement systems with funding problems. Many of these systems are in that situation, at least in part, because of spiked compensation used in calculating retirement benefits.

Spiking can be the result of many factors including: the manner in which bonuses are paid, premature payments of unused sick leave, payments for unused personal or vacation leave, unusual salary increases, payment of retirement incentives, or other similar practices. While contributions must be paid on all this compensation, it will not be included in base period compensation for the purpose of calculating

retirement benefits if it has the effect of spiking benefits.

The Idaho Legislature has given PERSI the broad authority to disregard compensation (for benefit calculation purposes) that results in spiking. Idaho Code Section 59-1302 (5D)(e) provides that "... salary increments inconsistent with usual compensation patterns may be disallowed by the board in determining average monthly salary and base period." To preserve a sound retirement system, PERSI will take action to exclude any compensation that stems from unusual compensation patterns and has the effect of spiking base period compensation. Employers are encouraged to examine their compensation practices to ensure they do not result in spiking.

If you have any questions about spiking, please call PERSI for more information.

PAYMENT PROCESS: Making it easy, safe, and convenient

PERSI is always looking for ways to make things easier for our employers. *Easy Pay*, our electronic payment system, is one of those ways. Currently there are two methods for making contributions using the *Easy Pay* system: via telephone and on-line. This article focuses on the *iTelecash* online option.

Using *iTelecash* allows employers to enter and transmit payment transactions online. One of the biggest advantages of *iTelecash* is the recurring payment function. Once an employer has set up and saved the location and personal identification numbers (PIN) for both the Base and Choice plans, only the new dollar amount and effective date has to be entered each pay period. It's that easy! For employers paying from several sub-accounts with the funds coming from the same bank, this is especially helpful because payments can be divided into multiple lines for record keeping purposes, and the set up can be saved and reused each pay period.

GETTING STARTED

PERSI recommends that employers visit the PERSI Web site at www.persi.state.id.us for detailed information about the *iTelecash* option. Once on the site, go to the Employer Information tab and click on the Transmittal Reporting and Contributions link. Under Easy Pay there are three additional links: (1) *iTelecash*, (2) *iTelecash* Instructions, and (3) *iTelecash* Web site. The first link provides an overview and the set up form. The form authorizes payments/credits against your bank account and gives Mellon Bank the authority to process transactions and forward payment information to PERSI. Employers wanting to sign up should print out the form, attach a voided check to the completed form and send it to PERSI, 607 N. 8th Street, Boise, ID 83702. **Attention: ACH Setup.** The voided check provides the necessary account and routing information for processing payments. The second link shows step-by-step details (with screen examples) on how to use the *iTelecash* option. The third link goes to the logon screen for the Mellon Web site (www.enternetbank.com/mps/).

Once your set up application is received, Mellon Bank will mail your PIN confirmation card, and

will assign you two location numbers and corresponding PINs — one for Base Plan contributions and the other for Choice Plan contributions. **ONLY YOU AND MELLON BANK SHOULD KNOW THESE NUMBERS.**

ARE MY TRANSACTIONS SAFE?

Mellon has put numerous safeguards in place for your protection. Every transaction is assigned a 4-digit verification code — the first two digits come from an algorithm using the dollar amount of the transaction. Employers can calculate these two digits before making payments to ensure accuracy. In addition, each transaction is assigned a tracing number that serves as an audit trail from Mellon Bank to the Federal Reserve/Automated Clearing House systems to your bank. You can rest easy knowing Mellon has never lost a transaction. Before you begin using *Easy Pay*, Mellon Bank will test the system using a zero dollar transaction to ensure the accuracy of all your account numbers and routing information.

MANDATORY ELECTRONIC PAYMENTS

For several years, PERSI has offered the electronic funds transfer option on a volunteer basis; however, beginning on **October 1, 2005, electronic payments will become mandatory for employers who remit \$10,000 or more.** There are many benefits to using electronic funds transfers including: increased transaction security, faster processing, more control, added convenience, and eliminating paper flow. PERSI's goal is to make the payment process easier, safer, and more convenient for employers.

[For employers without Web access, the dial-up option is available. Contact Tess Myers at (208) 334-2451 x235 or Cecile McMonigle at (208) 334-2451 x272 for details.]

Notes

Robert Maynard, PERSI's chief investment officer, was profiled in the March 2005 issue of *Money Market Letter*, an online source for financial and investment trends. The article talks about PERSI's successful fund management and keen investment strategies . . . and the plans to keep it that way. The article closes with details about Bob's illustrious career.